GOVERNMENT OF ANDHRA PRADESH

ABSTRACT

Industries & Commerce Department – Package of incentives for M/s Celkon Impex Pvt Ltd, M/s.Karbonn Mobiles [United Telelinks (Bangalore) Limited], M/s Bhagwati Products Limited (Micromax) and M/s LAVA International Ltd" for manufacturing mobile handsets, etc.– Orders-Issued.

INDUSTRIES AND COMMERCE (P & I) DEPARTMENT

G.O.MS.No. 99 **Dated: 21-10-2015**

Read the following:-

1. G.O.Ms.No.36, Industries & Commerce (IP & INF) Dept. dt:29.04.2015.
2. G.O.Ms.No16, ITE& C (Promotions) Dept. Dt:09.09.2014.
3. G.O.Ms.No7, ITE& C (Promotions) Dept., Dt:06.04.2015
4. Representation of Mr. Guruswamy Naidu, M/s Celkon Impex Pvt. Ltd. to the Secretary, dt: 01.10.2015
5. E-Mails of Mr. Biju Menon, GM, M/s Karbonn Mobiles (United Telelinks (Bangalore) Limited), dt: 09.10.2015
6. E-Mail of Mr. Rakesh Gupta, M/s Bhagwati Products Limited dt: 01.10.2015
7. E-Mail of Mr. Vishal Sharma, M/s LAVA International Ltd dt: 16.10.2015

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O R D E R:

The Industrial Development Policy 2015-20, in the reference 1st read above, seeks to attract investments to the tune of Rs. 2 lakh crore and create employment opportunities for an additional 10 lakh people by the end of 2020. Further, the Andhra Pradesh Electronics Policy 2014-2020 has a stated vision to develop the Electronics Industry as an important growth engine for Andhra Pradesh through effective use of the talent pool, skill enhancement, promotion of innovation & future technologies and creation of excellent infrastructure.

2. To promote large-scale manufacturing and to attract domestic and global investments into the Electronic System Design and Manufacturing (ESDM) sector in India, the Department of Electronics and IT (DeitY), Government of India, has taken various Policy initiatives to encourage the development of a domestic manufacturing ecosystem in the country.

3. To capitalize the inherent strengths of Andhra Pradesh and to attract the major entities in the electronics sector, the A.P. Electronic Policy 2014-20 envisages to promote the development of 20 Electronic Manufacturing Clusters (EMCs) by 2020 across the State especially in Visakhapatnam, East Godavari and Chittoor districts and in the GOs 2nd & 3rd read above, orders have been issued providing various incentives to the Electronic Manufacturing units set-up in the State.

4. Within the Electronics Sector, the mobile handset-manufacturing segment constitutes one of the most important segments. The advent of mobile telephony in India has changed the entire paradigm of communications and also spawned a thriving sector of mobile handset manufacturing. This sector is exhibiting yearly growth, which is likely to continue for at least the next two decades before it is expected to stabilize.

5. Historically, India has been an importer of handsets, with import volumes of 225 million handsets in 2014, up 20% from 187.5 million handsets imported in 2013. It is projected that by 2020, the import bill of electronics would surpass that of petroleum, and mobile handsets would be a significant component of the same. It is therefore, imperative that domestic mobile manufacturing be undertaken in a big way. Furthermore, mobile manufacturing involves highly skilled workforce, and a generation of significant amount of IP (Intellectual property) by way of R&D into both software and hardware.

6. As a significant step forward in this initiative, the Government of Andhra Pradesh proposes to set-up (2) Electronic Manufacturing Clusters near Tirupati Airport, in Renigunta & Yerpedu mandals, Chittoor District. The 1st EMC is the Sri Venkateswara Mobile and Electronics Manufacturing Hub (SVM&EMH) hereinafter called EMC1,spread over 122 acres of land in Renigunta & Yerpedu mandals, consisting initially of (4) promoters viz M/s Celkon Impex Pvt. Ltd., M/s. Karbonn Mobiles [United Telelinks (Bangalore) Limited], M/s Bhagwati Products Limited (Micromax), M/s LAVA International Limited. The 2nd EMC is the APIIC Electronics Manufacturing Hub, hereinafter called EMC2, spread over 501.4 acres of land in Yerpedu Mandal, Chittoor District, to be developed and promoted by the APIIC.

7. In the references 4th to 7th read above, M/s Celkon Impex Pvt. Ltd., M/s. Karbonn Mobiles [United Telelinks (Bangalore) Limited], M/s Bhagwati Products Limited (Micromax) and M/s LAVA International Ltd have given their Expression of Intent to set up their units in A.P (in EMC1 referred above) and have requested for a customized package of incentives.

8. It is expected that the EMC1 will act as the anchor EMC and induce further investments in both upstream and downstream segments leading to Tirupati emerging as the Global Manufacturing Hub for electronics, and mobile handsets in particular. The four promoters presently constituting EMC1, are noted brands in the Indian and Global mobile market, and collectively control over one-third of the Indian mobile handset market. The proposal is in conformity with the Government's endeavor to encourage the clustering of mobile and mobile accessory manufacturers around EMC1 so as to develop a cohesive ecosystem. Further, a number of accessory manufacturers (3 Chinese companies and 1 Indian company) have already demonstrated intent to set up their facilities in EMC1 as well, bolstering the above premise.

9. It is therefore, amply demonstrable that the clustering of four of India's leading mobile brands' manufacturing facility in EMC1 will lead to significant follow-up investment from both upstream and downstream of the value chain. This will also help populate the EMC2. Together the EMC1 and EMC2 are expected to generate over 20,000 direct and over 40,000 indirect jobs, besides significant upskilling of local youth and creating the scope for high end hardware and software R & D in the future. The development of this ecosystem in Tirupati is expected to spill over to the rest of the State, enabling the Government to attract further investments and create large scale employment.

10. Government after careful examination of the existing policy framework & environment, the requests of the (4) project proponents, the scope for large scale employment generation, the singular potential to help develop an ecosystem around the mobile sector; and considering the fact that these units are among the first to propose setting up of a mobile manufacturing cluster of significant scale in the State; hereby approves the following package of incentives to the (4) mobile units proposed to be set up in Sri Venkateswara Mobile and Electronics Manufacturing Hub, Renigunta & Yerpedu mandals, Chittoor District:

i. **Mega Status –** To accord Mega Status, in terms of Para 3 (B) (xvi) of the G.O. 2nd read above, to all (4) industries coming under the cluster, as the combined investment in the cluster is in the order of Rs. 1,070 crore and the employment to be generated is for 12,525 people.

ii. **Investment Subsidy** - To provide 15% Investment Subsidy, subject to the following cap:

   (a) Upto Rs. 20 crore for investment of Rs.100 crore and upto Rs.300 crore.
   (b) Upto Rs.30 crore for investment of more than Rs.300 crore and upto Rs.500 crore.
   (c) Upto Rs.40 crore for Investment more than Rs.500 crore.

iii. **Interest Subsidy –** To provide Interest Subsidy @ 5.0% upto Rs.1.5 crore per year for a period of 7 years.

iv. **VAT and CST** – Reimbursement of net VAT without any investment limit, subject to the following cap:
(a) For investment upto Rs.500 crore and employment of minimum 1,000 persons: 100% VAT reimbursement for a period of 8 years.
(b) For investment more than Rs. 500 crore and employment of minimum 2,000 persons: 100% VAT reimbursement for a period of 10 years.
(c) VAT reimbursement subject to entire investment being made within first 5 years from the date of issue of the relevant G.O.
(d) Reimbursement to be made on a quarterly basis.
(e) VAT / SGST rate fixed at 5% during the applicable reimbursement period.
(f) CST waiver during the applicable reimbursement period.

v. **Land Allotment**–The Andhra Pradesh Industrial Infrastructure Corporation (APIIC) shall provide land, on outright sale basis, to the (4) units ,presently constituting the Sri Venkateswara Mobile and Electronics Manufacturing Hub, at a rate of Rs 20 lakh per acre , to the extents mentioned as hereunder:
(a) M/s Celkon Impex Pvt Ltd –Acs.19.28 cts.
(b) M/s. United Telelinks (Bangalore) Limited (Karbonn Mobiles) – Acs.15.00 cts.
(c) M/s Bhagwati Products Limited (Micromax)- Acs.15.00 cts.
(d) M/s LAVA International Ltd. – Acs.19.28 cts.

vi. **Logistic Support** – Logistic Subsidy shall be provided for transport of capital equipment to factory, subject to the following cap:
(a) For investment of Rs.100 to Rs.300 crore – Logistic Subsidy of Rs. 50 lakh per year, for a period of 3 years.
(b) For investment more than Rs. 300 crore - Logistic Subsidy of Rs. 1 crore per year, for a period of 3 years.

vii. **Power cost reimbursement -** Power cost reimbursement @ 25% of power cost for a period of 5 years, limited to Rs. 50 lakh (for all 5 years). Uninterrupted power supply shall be provided.

viii. **Training & Skill Upgradation** - Reimbursement of the cost incurred for **Training & Skill Upgradation,** subject to the following cap will be provided:
(a) For employment of up to 3,000 persons – training subsidy @ Rs 10,000 / employee.
(b) For employment of 3,000 – 5,000 persons - training subsidy @ Rs.15,000 / employee.
(c) For employment of more than 5,000 persons- training subsidy @ Rs. 20,000 / employee.

11. The (4) units shall be eligible for all the other incentives provided in the Andhra Pradesh Electronic Policy 2014-20.

12. The incentives provided in this order are not as general proposition and are limited to early arriving investors who bring a high value proposition to the State.

13. This order is issued subject to ratification by the Empowered Committee of Secretaries and the State Industrial Promotion Board.

14. These incentives will come into force from the date of issue of this order.

15. This order issues with the concurrence of Principal Secretary to Government, Finance Department, vide this Departments File No.15013/P&I/A1/2015, Dated: 20.10.2015.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

S.S. RAWAT
SECRETARY TO GOVERNMENT & CIP

To
The Director of Industries, Andhra Pradesh, Hyderabad.
The Vice Chairman & Managing Director, Andhra Pradesh Industrial

Infrastructure Corporation, Andhra Pradesh, Hyderabad.
The Principal Chief Secretary to Government, Finance (EBS.VIII) Department
The Principal Secretary to Government, Revenue (CT) Department
The Principal Secretary to Government, Irrigation & CAD (Reforms) Dept.
The Secretary to Government, Energy, I&I Department.
M/s Celkon Impex Pvt Ltd
M/s. United Telelinks (Bangalore) Limited (Karbonn Mobiles)
M/s Bhagwati Products Limited (Micromax)
M/s LAVA International Ltd.
Copy to
The LET & F (Employment) Department.
The Law Department.
The Accountant General, Andhra Pradesh, Hyderabad
The Pay and Accounts Officer, Hyderabad.
All Departments of Secretariat.
The P.S. to Prl. Secretary to Chief Minister.
The P.S. to Chief Secretary to Government
All Private Secretaries to the Ministers.
All General Managers, District Industries Centre in the State through Director of Industries, Hyderabad.
All Sections in the Department.
S F/SC.

//FORWARDED:: BY ORDER//

SECTION OFFICER